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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 000785

SENSITIVE

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SUBJECT: CROATIA RECEIVES EU ACCESSION TIMETABLE, LADEN
WITH CAVEATS

REF: ZAGREB 762

Classified By: Rick Holtzapple, POL/ECON, Reasons 1.4 (B/D)

¶1. (U) SUMMARY: According to the report released by the European Commission November 5th, Croatia's accession negotiations are progressing well, but considerable challenges remain in the areas of judicial reform, corruption and organized crime, and economic restructuring. The report presents a conditional roadmap for Croatia to complete technical negotiations in 2009, although Enlargement Commissioner Ollie Rehn stressed that the timetable would be adjusted if Croatia did not fulfill its obligations. Prime Minister Sanader and other officials expressed confidence Croatia would meet the 2009 deadline. Doing so, however, will require unprecedented effort, an absence of any setbacks, and a nod from Slovenia. End summary.

¶2. (U) In the progress report released on November 5, the European Commission said Croatia's accession negotiations are progressing well, but considerable challenges remain in key areas. As in prior reports, the areas identified for further sustained effort include the inefficient judicial system and public administration, fighting organized crime and corruption, refugee returns and other problems of minorities, and war crimes prosecution. Regarding economic criteria, the report observes that Croatia's economy has shown solid performance and macroeconomic stability has been preserved. It warns, however, that further improvements in the business environment are needed, as structural reforms have been slow.

¶3. (SBU) Earlier this year, Commission President Jose Manuel Barroso held out the prospect of concluding the technical negotiations in 2009; this progress report presents a conditional roadmap for doing so. At the press conference announcing the report's release, however, Enlargement Commissioner Ollie Rehn stressed that the roadmap is "an encouragement, but not a blank check." He said the timetable would be adapted if needed and clearly placed the onus on Croatia to fulfill the conditions necessary for staying on schedule. He specifically cited three areas for attention: judicial reform, corruption and organized crime, and shipyard restructuring. Prior to the report's release, Martin Mayer, political advisor at the European Commission Delegation to Croatia, told us that outside these areas, the points needing attention are "mostly technicalities." He said, however, that given the concerns about the judiciary in particular, completion of the technical negotiations in 2009 seems increasingly unlikely.

¶4. (U) Prime Minister Sanader welcomed the report and told the press Croatia would enter the EU before its next parliamentary elections (2011). He said he took encouragement from three elements of the report in particular: the roadmap, the proposal to begin work on the accession treaty, and the plans to prepare a financial package in mid-2009 for Croatia's entry into the bloc. He said none of these, however, diminish the work that remains to be done on key issues. Other GOC officials, including opposition

representatives, also expressed confidence the negotiations could be concluded next year to keep the country on track for entry in 2011, although some did so cautiously, stressing the challenges that remain. MP Vesna Pusic, chair of the National Committee for Monitoring the Negotiations, and MP Neven Mimica, chair of the European Integration Committee, both commented to the press that Croatia must find a solution to Slovenia's mixing of unresolved bilateral issues with the accession negotiations (reftel).

¶5. (C) The concerns regarding Slovene attitudes were reflected even more sharply in a private conversation on Nov. 4 between POLCOUNS and Neven Pelicaric, the Croatian MFA's Director General for Europe. Pelicaric said that the GoC remained hopeful that the new Pahor-led government in Ljubljana would show a more conciliatory approach to Croatia over the border issues. But Pelicaric argued the Slovene EU Presidency in the first half of 2008 had been dilatory, holding Enlargement Working Group meetings much less frequently than either the preceding Portuguese or current French Presidencies. Of even more concern to Croatia, Pelicaric said, were signs that Slovenia is considering even more explicit linkages of resolution of the on-going border disputes to Croatia's EU accession. Pelicaric pointed in particular to a press release issued on November 3 by the Slovenian MFA, where the final line stated that Slovenia "expects the (border dispute resolution) process to be concluded before Croatia's joining the EU."

¶6. (SBU) COMMENT: With this progress report, the Commission is trying hard to make good on Barroso's offer of completing negotiations in 2009. However, even in the unlikely event

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Slovenia puts up no further obstruction, Croatia has a steep slope to climb. In three years of negotiations, the GOC has closed four chapters, none of which required major reform. Closing the remaining thirty-one chapters in a year will require an unprecedented level of effort and a complete avoidance of any snags or stumbles. The consequences of missing the 2009 target remain unclear. The GOC may fear the negotiations will lose momentum if the timetable slips, possibly moving Croatia to a track with another country further behind in negotiations. Given the encouragement in this progress report and other comments from EU leaders, however, it seems unlikely the EU would penalize Croatia with more than a six- or twelve-month delay as long as the GOC makes significant progress in the next year. END COMMENT.
Bradtke